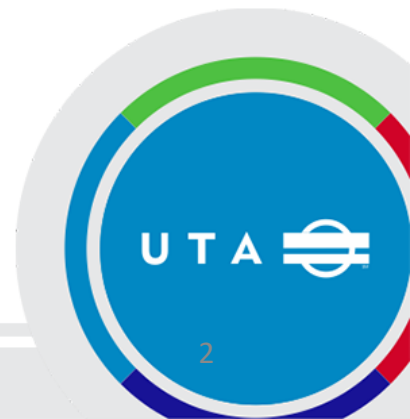# UTA Audit Committee Meeting

June 21, 2021
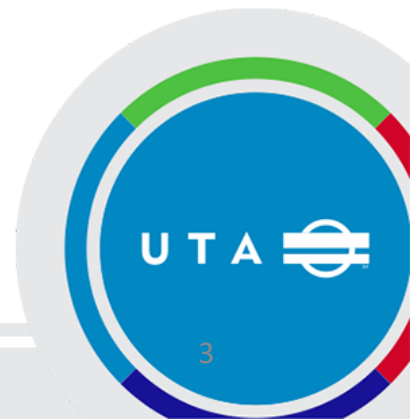
Call to Order
and Opening Remarks

(Electronic Meeting Determination Reading)
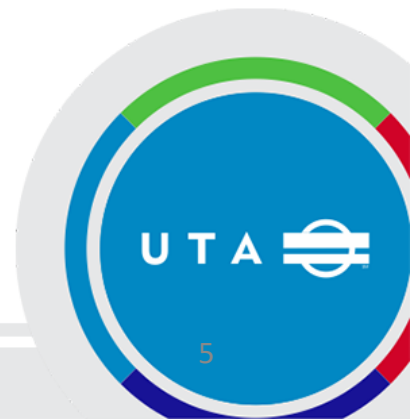
Safety First Minute

Consent

a. Approval of April 19, 2021 Audit Committee Meeting Minutes

Recommended Action
(by acclamation)

Motion to approve

2020 UTA Financial Audit

a. 2020 UTA Financial Audit Report (ACFR) and National Transit Database (NTD) Agreed Upon Procedure Report

2020 UTA Financial Audit Report (ACFR) and National Transit Database (NTD) Agreed Upon Procedure Report

Audit Process and Scope of Work


Audit Methodology and Approach
- Purpose of Financial Statement and Compliance Audit
- Audit Committee Role– Quality, Internal controls, Compliance
- Concepts of Audit Risk and Materiality
- Role of Internal Controls and Tone at the Top
- Role of Monthly Financial Reporting

Financial Statement and Compliance Audits
- Audit Highlights
- Management's Discussion and Analysis
- Comprehensive Annual Financial Report

New Accounting Standards
- GASB Statement No. 84
    - Joint Insurance Trust – now Fiduciary Fund
- GASB Statement No. 88
    - Enhanced debt footnote disclosures
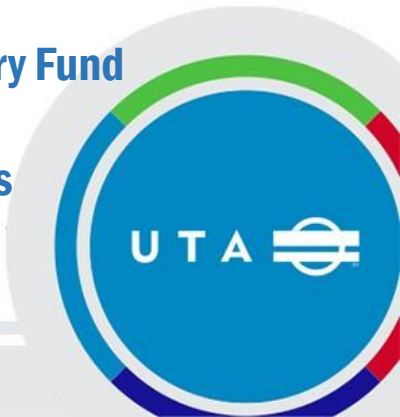
Audit Approach and Plan

Interim fieldwork: January

- **Management interviews**
- **Planning and Risk Assessment**
- **Internal controls**
  - **Entity-wide**
  - **Account-level**
  - **Financial reporting**
- **Single audit testing**
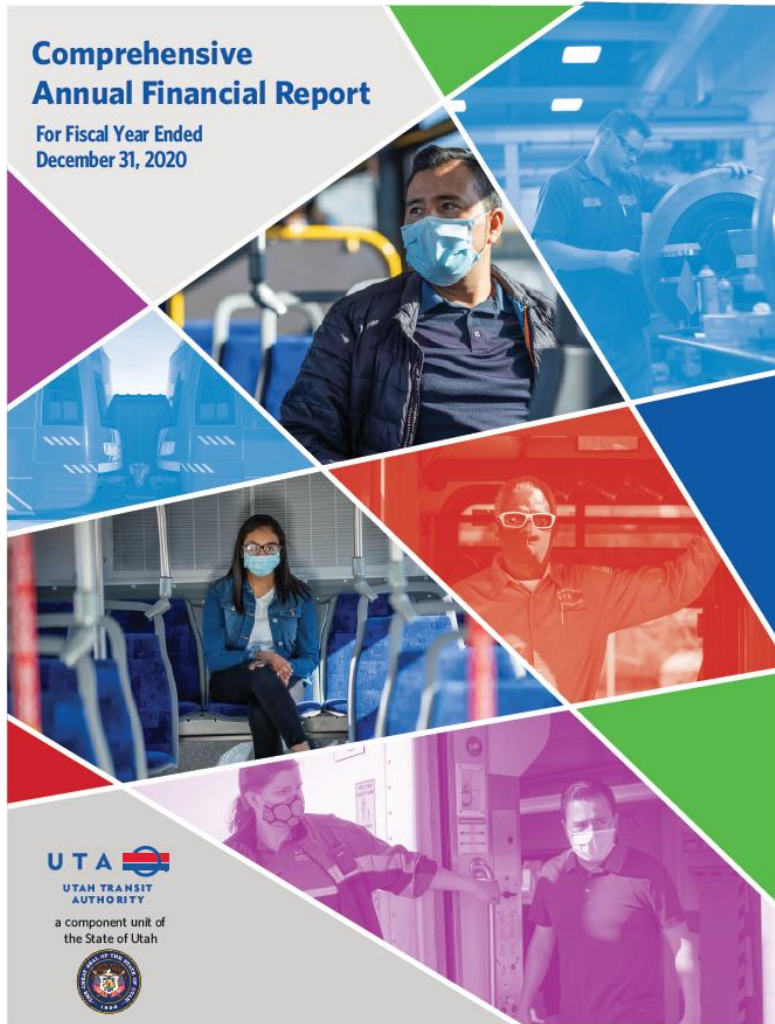
Year-end fieldwork: March to early April

- **Audit procedures on year-end balances and fiscal year activity**
- **Single audit testing – completion**
- **NTD testing**

Reporting: May through current

- **Review financial statements prepared by management**
- **Preparation and review of compliance reports**
- **Reporting to the Audit Committee**

U T A

Audit Deliverables

Comprehensive
Annual Financial Report
For Fiscal Year Ended
December 31, 2020

UTA
UTAH TRANSIT
AUTHORITY

a component unit of
the State of Utah

- Independent Auditor's Report
- SAS 114 Letter
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance
- Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide
- "In relation to" opinion on the Schedule of Expenditures of Federal Awards
- Agreed Upon Procedures report on National Transit Database Federal Funding Allocation Statistics Form
- Crowe's electronic certification of the Data Collection Form through Federal Clearinghouse

Required Communications

- Auditor's Responsibility
- Significant Accounting Policies
- Management Judgments and Accounting Estimates
- Auditor's Judgments
- Corrected and Uncorrected Misstatements
  - One corrected misstatement in the fiduciary fund to accrue for 2020 contributions, received in 2021
  - One misstatement related to capital assets that involves accumulated depreciation and depreciation expense
- Other Communications

U T A

Management Recommendations / Findings

2020-001 (Information Technology Controls over Change Management)

- Segregation of duties does not exist between individuals with access to the general ledger source code and individuals responsible for implementing changes to the source code into the production environment.
- We recommend that the Authority modify its policies and procedures to ensure that source code changes are initiated with appropriate authorization and management oversight and approval is obtained prior to implementing the changes into the production environment. If access to development and production cannot be restricted, a compensating monitoring control should be implemented wherein an independent individual reviews source code changes for propriety.

2020-002 (Internal Controls over Utility Disbursements)

- Utility-related expenses are not reviewed and authorized for payment for prior to disbursement. Eight of the 60 randomly selected expenditures for the Federal Transit Cluster program related to utilities, and all lacked evidence of review and approval.
- We recommend that the Authority implement a formal process requiring utility invoices to be reviewed prior to payment.

Management Recommendations / Findings (continued)

2020-003 (Financial Reporting Controls over Pension Trust)

- Related to our testing of the pension trust, we noted that contributions related to 2020 that were received by the trust in 2021 were not properly accrued. Contributions for one special payroll in 2020 were not included in the accounting records of the trust as they were not remitted by the Authority. Lastly, general journal entries to the trust financial statements are not formally reviewed and approved.

- We recommend the Authority's management increase oversight of all third-parties involved in the administration of the pension trust by designing and implementing controls over the reconciliation of pension trust activity reported in the financial statements. Specifically, management should ensure that transactions and balances, including investment activity, contributions, benefit payments, and other general journal entries reported in the trust financial statements reconcile to the underlying detail maintained by the Authority, the custodian, and any other Third Party Administrators.

Emerging Issues

Implementation 12/31/21

- GASB 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
- GASB 93, Replacement of Interbank Offered Rates
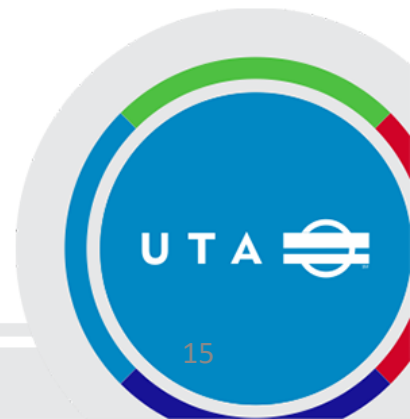
Implementation 12/31/2022

- GASB 87, Leases
- GASB 91, Conduit Debt Obligations
- GASB 92, Omnibus 2020
- GASB 97, CUCC and Section 457 Plans

Recommended Action
(by acclamation)

Motion to recommend this report for approval by the
UTA Board of Trustees

Internal Audit Update

a. Internal Audit Update

Internal Audit Update

Internal Audit Plan Status

Engagement #	Preliminary Assessment / Audit	Status
20-07	Capital Projects Preliminary Assessment	Complete
21-01	Fares Revenue Implementation Follow Up	Complete
21-02	Utility Costs - PA/Audit	Complete – Presenting
19-07	Payroll - Follow up	Complete- Presenting
21-03	Maintenance of Way (Systems) - PA	Complete-Presenting
20-01	Procurement Contract Management - Audit	In Progress
21-04	Bus Training and Ops - PA	In Progress
20-02	Transit Oriented Development - Audit	Jun-21
20-04	Maintenance of Way (Infrastructure) - Follow up	Aug-21

Internal Audit Plan Status

Engagement #	Preliminary Assessment (PA) / Audit	Status
19-05	Data Access - Audit	Scheduled Aug-21
19-08	Accounts Payable - Follow up	Scheduled Sep-21
21-05	Information Technology General Controls - PA	Scheduled Sep-21
21-06	Fuel Costs - PA/Audit	Scheduled Oct-21
21-07	Debt - PA/Audit	Scheduled Nov-21

Outstanding Issues

Open Items Table as of May 21, 2021

Issue Remediation Status by Audit

Audit		
General Control Proj...	14	8
19-01 State of Good ...	12	1
20-01 Procurement C...	9	4
19-05 Data Access		11
R-18-01 Payroll	7	1 1
R-18-06 Accounts Pa...		8
R-19-2 Budget Mana...	4	2
20-07 Capital Projects	1	4
20-02 Transit Orient...		3
21-02 Utility Audit	3	
19-04 MOW Infrastru...	1	1
21-03 MOW Systems		1

● Closed ● Open ● Pending Remediation

Past Due
7

Due Next 30 Days
10

Due Next 60 Days
4

Due Next 90 Days
0

Issue Pending Count

Open Items Table

Audit Name	Closed	Past Due Remediation	Future Remediation Planned	Total Pending	Policy/SOP Related
19-01 State of Good Repair	12		1	1	
19-04 MOW Infrastructure	1	1		1	1
19-05 Data Access		3	8	11	1
20-01 Procurement Contracting	9	2	2	4	2
20-02 Transit Oriented Development			3	3	2
20-07 Capital Projects	1		4	4	
21-01 Fares Revenue Follow Up	14		8	8	3
R-18-01 Payroll	7	1	1	2	1
R-18-06 Accounts Payable			8	8	8
R-19-2 Budget Management Process	4		2	2	2
21-02 Utilities			3	3	2
21-03 MOW Systems	0		1	1	1
Totals	48	7	41	48	23

Requests for Extension of Due Dates

- Procurement Contracting (Chief Financial Office)
- Data Access Findings (IT)
- Payroll and Data Access findings (Chief People Office)
- TOD – Policy drafted, waiting on approval (Chief Service Development Office)

Internal Audit Report Review

a. Internal Audit Report Review – Utilities Preliminary Assessment

b. Internal Audit Report Review – Maintenance of Way (MOW) Systems Preliminary Assessment

c. Internal Audit Report Review – Payroll Management Audit Follow Up
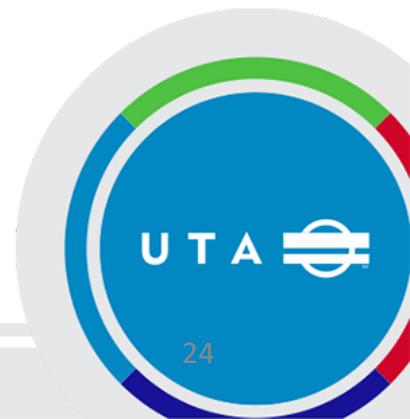
Internal Audit Report Review – Utilities Preliminary Assessment

Preliminary Assessment of Utility Management

Audit Scope
Utility Payment Process
Utility Verification Process
Utility Set-Up Process

1. We reviewed all utility accounts.

2. We evaluated UTAs process to determine if UTA was obtaining the lowest eligible utility rates. .

3. We reviewed the process to ensure that only UTA utility accounts are paid.

4. We reviewed invoices to verify invoices were properly approved and posted to the correct account.

5. The PA period was February 1, 2020 through January 31, 2021.
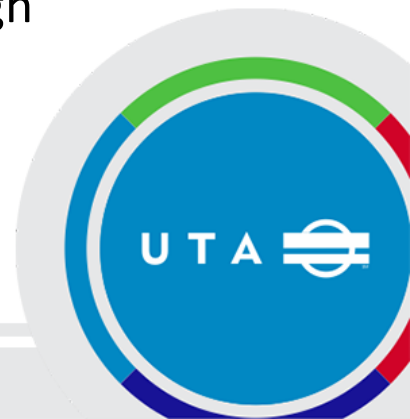
Preliminary Assessment of Utility Management

Findings:

- The contract with the third-party company for utility audit service, which provided a net savings of $1,908,188, expired without new course of action.

- UTA does not provide guidance, restrictions, or ownership of utilities.

Preliminary Assessment of Utility Management

Recommendations:

- Management establish a process to ensure UTA is not overpaying for utility services by either: contract a new third-party utility audit service or hiring dedicated staff of one or two FTEs knowledgeable in utilities management.

- Improve controls over account validity, revising the "Spending Authority" policy, and provide utility providers with an authorized persons list.

Internal Audit Report Review – Maintenance of Way (MOW) Systems Preliminary Assessment

MOW - Systems Scope

Audit Scope
Governance
Inspections
Maintenance
Regulation governing Inspections, Maintenance and Training
Training

Engagement Procedures

1. We evaluated the design effectiveness of existing controls.
2. Federal regulations were reviewed to determine requirements and management's progress in achieving compliance.
3. We analyzed management's plans to reorganize the training and classifications of technicians.
4. Our review period was January 1, 2020 to December 31, 2020.

MOW - Systems Preliminary Assessment
Findings

- MOW – Systems is developing an Apprenticeship program that will reorganize the training and classification of technicians.

  - Apprenticeship is required in the contract with Amalgamated Transit Union

  - The training elements will need to be aligned with Federal Regulations

- It is estimated that it will take approximately 54,000 labor hours to develop the needed training components[1].

- At current resource levels it will take approximately 10 years to complete the Apprenticeship program[2].

MOW - Systems Preliminary Assessment
Recommendations

- Develop a project plan to include realistic timelines and necessary resources to implement the program timely.

- Identify "off the shelf" training materials and videos that can be purchased to reduce the development time.

- Incorporate as part of the program training classes that may be already developed and available through other sources such as other transit agencies, system manufacturers, and commercial rail carriers.

- Budget for and add sufficient resources to develop the apprenticeship program.

Internal Audit Report Review – Payroll Management Audit Follow Up

Follow-Up of Payroll Management

Follow-Up Scope
Governance
Timekeeping
Accounting
Payroll Processing
Human Resources

1. We reviewed all available SOPs and Policies related to the payroll and timekeeping process.

2. We evaluated the process for managing pay codes

3. We determined if management's audit action plans have been implemented.

4. The PA report date was May 30, 2018, The Audit report date was June 1, 2020.

5. IA conducted a follow-up using the period of April and May 2021.
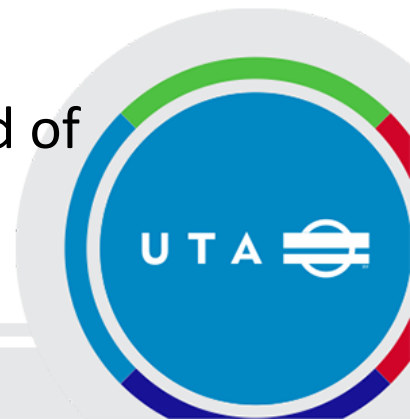
Payroll Management Follow-Up

Findings:

1. Substantial risk in the segregation of duties (SOD) relating to preparing, reviewing, and approving timekeeping as well as interim checks.

2. Lack of oversight and monitoring regarding changes to employee master files and pay and accrual codes.

3. We closed 7 of the 7 findings outstanding from the Audit report. 2 of the 7 findings were re-issued to focus on the outstanding part of the original finding.

UTA

Follow-Up of Payroll Management

Recommendations:

- One SOP is designed for companywide use in processing payroll on the business side to include: each type of payroll processing, a chart of how to segregate duties effectively, and key controls to address risk identified.

- Monitoring controls over critical HR master data fields, Payroll should be responsible to review changes for accuracy, and pay code modifications be subjected to a review and approval process through Laserfiche.

Other Business

a. Next meeting: Monday, August 23, 2021 at 3:00 p.m.

Closed Session

a. Discussion regarding deployment of security personnel, devices, or systems

Closed Session

Open Session

Adjourn